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**BEFORE THE  
UNITED STATES SENATE  
COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS**

**JUNE 12, 2003**

Chairman Shelby, Ranking Member Sarbanes, Distinguished Members of the Committee:

I appreciate the Chairman's invitation to appear before you this morning. The Administration welcomes any opportunity to meet with the Members and discuss the many ways in which we are working with the Congress to expand homeownership for America's families.

The fact that June is National Homeownership Month, and a time when we are taking the homeownership message to communities across the country, makes the scheduling of this hearing especially appropriate.

President Bush is focused on helping more families discover for themselves the security and sense of pride that comes with homeownership. This is a long-time commitment of this President that he highlighted during the presidential campaign in his "New Prosperity Initiative." In remarks he gave in Cleveland, Ohio, on April 11 of 2000, then-Governor Bush noted that the concept of "ownership" is central to American life, and that our history has been intertwined with the expansion of homeownership rights since the nation's earliest days.

He pledged that in the spirit of the Homestead Act of 1862, his Administration would help Americans to own a part of the American Dream.

The President understands that homeownership is a profound and life-changing experience.

For the vast majority of families, homeownership serves as an engine of social mobility and the path to prosperity. Americans see a home not only as shelter, but also as a safe investment, and one that can be leveraged to finance family priorities. In 2001, Americans took \$80 billion out of the equity they had accumulated in their homes to make investments in education, consumer goods, and new businesses.

There is no question that homeownership helps families lift themselves into a better quality of life and a more secure future.

But the benefits of building a nation of homeowners extend well beyond individual families and into their communities. Homeownership creates stakeholders who tend to be active in charities and churches. It inspires civic responsibility. It offers children a stable living environment that influences their personal development in many positive ways – including improving their performance in school. Studies by housing experts show a clear link between an *increase* in homeownership and a *decrease* in crime rates.

Of course, homeownership also has a powerful impact on the national economy. Where many sectors of the economy performed below expectations over the past two years, the housing market has remained extremely strong. In fact, housing helped to cushion many areas of the country from recession, as home sales and refinancings pumped hundreds of billions of dollars into the economy.

But beyond the statistics, increasing homeownership is good public policy.

This Administration wants *every* family to benefit from our emphasis on homeownership. This includes reaching out to minorities who sometimes face special obstacles on the road to owning their own homes.

At the end of last year, the national homeownership rate remained at record-high levels. The minority homeownership rate reached a record high as well. But those statistics mask a deep divide – what we call the “homeownership gap.” Across the board, minority homeownership is about 20 percentage points below the rate for the population as a whole.

Many minority families find the pathway to homeownership blocked by persistent barriers. These barriers include the inability to come up with enough cash for a down payment, a lack of credit history, or a blemished credit record... discrimination, and the unfamiliar terms and unreliable information that are often part of the homebuying process. Minority families often face discrimination in conjunction with or in addition to these other barriers.

President Bush and I consider removing these barriers for all families, including minority families, to be a top priority for HUD, and one that is fundamental to our mission as the nation’s housing agency.

The President launched America’s Homeownership Challenge last June and announced his aspirational goal of boosting minority homeownership by 5.5 million families by the end of the decade. In response, HUD created the Blueprint for the American Dream Partnership. Each partner has made specific commitments that will help us reach our goal of dramatically boosting minority homeownership.

One of the ways we are clearing away the barriers to homeownership is by offering new tools and resources to the homeowners of tomorrow.

For example, the American Dream Downpayment Initiative will help make homeownership a reality for 40,000 families. The Initiative is currently moving through the Congress, and we are working with Members to get it passed and signed into law. Congress appropriated \$75 million for the American Dream Downpayment Initiative for the current fiscal year.

We have proposed increasing funding for our housing education program to \$45 million, which would allow HUD to counsel 250,000 first-time homebuyers next year. Helping families learn about the loan products and services available to them and how to identify and avoid unscrupulous lenders is critical to increasing homeownership.

The Administration is boosting funding for the HOME Investment Partnerships Program by \$210 million from the 2003 enacted level, to a total of \$2.2 billion in FY 2004. Both HOME and the Community Development Block Grant programs are popular, successful, and locally driven initiatives that communities can tap into to create affordable homeownership opportunities for low-income families.

We are proposing a new Federal Housing Administration mortgage insurance product, designed to create homeownership opportunities for families with poor credit records who are served at a higher cost in the subprime market or not served at all.

Our proposals also include a \$1.7 billion Single-Family Affordable Housing Tax Credit to encourage developers and nonprofit organizations to produce affordable homes. The tax credit will make some 100,000 homes available for purchase in low-income neighborhoods.

During the 2000 campaign, the President announced a plan to give another 2 million low-income Americans the opportunity to move into their own homes with help from HUD's Section 8 Housing Choice Voucher Program. We currently allow local housing officials to offer future homebuyers the option of applying their vouchers toward a home mortgage; our FY 2004 budget proposal would "expand the program" by allowing families to also put their vouchers toward a home down payment.

These initiatives reflect just part of what has grown into an Administration-wide commitment to making homeownership an affordable option for every family that seeks it. With our assistance – and the support of the Congress – low-income families across the country who at one time never considered homeownership an option are becoming homeowners today.

We are proud of our accomplishments over the past two years, but we do not intend to rest on them. There is much more we plan to do, and by working closely with you, we will continue to open up our communities to new opportunities for growth and prosperity, and encourage more families to seek homeownership and begin traveling the road to prosperity.